

# **NEW HAMPSHIRE STATE LIQUOR COMMISSION**

## **MINUTES OF MEETING – JANUARY 7, 2004**

**PRESENT:** Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Aidan Moore, Chief of Enforcement; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer. Guests: Al Picconi, United Beverages, Inc.

### **I. FINANCIAL & ADMINISTRATIVE REPORTS**

#### **1. Financial Reports**

##### **A. Weekly, Y-T-D Sales Reports:**

The SA1000 report for the week ending January 4, 2004 shows retail sales were up 29.8%, on-premise sales were up around 24.7%, off-premise sales were up 59.9%, and total aggregate sales increased by about 34.5%. The traffic count increased by 26,906, as did the average sales ticket by \$2.07.

The W-1 Total Weekly Sales Report for the same week confirms total sales were up 34.5% or \$2,104,368, and were also up for the year by almost 8.3% or \$16,216,370. Wine sales increased by 37.6% or \$1,085,950, as they did by almost 8.5% or \$7,623,937 for the year. Sales of spirit were up on a weekly basis by 31.7% or \$1,018,418, and were also up year-to-date by 8.1% or \$8,592,633.

##### **B. Budget/Administrative Reports:**

There was nothing of significance to report regarding depletions and post-offs for this week.

Craig distributed a brief report showing the sale of gift cards for the first six months of this fiscal year. He noted the large increase in sales during the three weeks prior to Christmas. Although there is not a full report on redemptions at this time, he anticipated there would be a fair amount during the month of January. He felt the Commission would see between \$300,000 and \$350,000 for the year, although it would be difficult to predict an average at this time. He noted that January through mid-May is the slowest sales period. The sale of denominated cards made up 33% of total sales. The report showed what impact pre-Christmas sales had on gift cards.

Chairman Maiola mentioned that six representatives from the Pennsylvania Liquor Control Board are coming to visit the Commission on January 17<sup>th</sup>, and that they were interested in discussing the gift card program.

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Commissioner Byrne suggested that an industry member contacted to come up with some statistics as to the average value of cards sold, etc. Commissioner Russell inquired as to whether there was any way to determine how many customers purchased both liquor and gift cards. Howard said this might be possible to track, but it might take a while to develop a method to do this.

In early December the Commission was notified by the Department of Personnel that a new policy was starting whereby employee evaluations must be completed before increments were received. The Commission is in fairly good shape, with only three outstanding evaluations yet to be turned in.

The IT Venture Fund letter regarding e-licensing for Enforcement went over to Commissioner Don Hill a week ago; nothing has been heard to date. Information will continue to be provided to Administrative Services as needed.

Everything has been put together for the metrics program. Craig is still waiting to receive a few pieces of information, and will e-mail everything to the Commission prior to next week.

All request letters regarding the thirteen currently vacant positions were forwarded to Administrative Services this past Monday, and will be submitted to the committee assigned to review them.

For the first time, the NABCA annual survey was received electronically. Craig will be working with John Bunnell and Aidan Moore to complete this survey and return it to the NABCA by January 26<sup>th</sup>.

There are two Commission items on the Governor and Council agenda today, one relative to sweepstakes incentive checks and the other concerning the Dell computer equipment contract. Rick Wisler will be representing the Sweepstakes Commission at today's meeting.

W-2 forms will be passed out to employees at headquarters this Friday and mailed to store employees at home.

The current W-6 Expense Budget Activity Variance report for the week ending January 6, 2004 shows the year to be at around 52.05% completed, with total agency expenditures at about 51%. The budget is in very good shape right now, with increases only in the single digits. Accounting will be working on projections for deficits and surpluses to be presented to Fiscal Committee next month.

The FY03 Annual Report was forwarded to Administrative Services to be included on the next Governor and Council agenda. IT was congratulated on the fine job done putting this information on CD. Once approved by Governor & Council, this report will appear on the internal web site.

The advertising grant will appear on the Fiscal Committee agenda for January 21<sup>st</sup>. In addition, the re-submittal for false identification scanners will be on the next Governor and Council agenda.

2. IT Report:

Hopefully, approval will be received on the Dell contract today. Total cost will be \$158,000, primarily for the alternate operation site for computers.

IT is about one and one-half weeks away from completion of the new web site design. Work will continue with Enforcement and Marketing on this. Howard expects that gift card purchases via the net will be completed and launched at the same time.

**II. MARKETING & SALES REPORTS**

1. Store Operations:

Total retail sales for the week ending 1/4/04 increased 30.77% or \$1,537,899.84. John Bunnell thanked all the Directors, saying that the stores experienced a banner holiday season which couldn't have been accomplished without their help. Supervisors and staff are developing notes which will help to improve next year's performance.

2. Purchasing Report:

There are very few major items which are out of stock at this time. Work is being done with local brokers on those items which are not available. Batavia wines are now starting to come in. John said there will be sufficient quantities of product for both the retail stores and supermarkets.

3. Merchandising Report:

A. SPIRITS:

1) Test Market Results (Code #3561):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant a specialty listing to Code #3561, Ultima Black Cherry Vodka, 750ML size which has exceeded the gross profit required for such listing at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Line Extension (The Dalmore Scotch, 50ML size):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Future Brands LLC for a line extension on The Dalmore Scotch 12-Year Old, 50ML size (assigned Code #2625), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Mark Down (1800 Melineo Tequila):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a mark down on a one-time purchase of Code #930, 1800 Melineo Tequila, 750ML size, and bill the broker, Horizon Beverage Company, for exit money in order to deplete remaining inventory, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Limited Distribution (Distillers Masterpiece 20 Year Old):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the purchase and limited distribution of Distiller's Masterpiece 20 Year Old, 750ML size (assigned Code #2301) to selected stores, to be tracked as a specialty item and evaluated at the end of a twelve-month period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) February Special Offers:

a. 9 items – M.S. Walker, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of nine (9) spirit items, to be featured on sale during February 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 1 item – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a special offer from Horizon Beverage Company, based upon depletions of one (1) spirit item, to be featured on sale during February 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 42 items – United Beverages, Inc.

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of forty-two (42) spirit items, to be featured on sale during February 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

**B. WINES:**

- 1) Proposed Wine Sale for April 2004:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the placement of all 750ML size California wines at 10% off on the purchase of 12 or more bottles during the California Wine Sale, scheduled for Monday, April 5 through Sunday, May 2, 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted. (Commissioner Byrne also requested a twelve-month calendar of future wine sales.)

- 2) New Wine Product Listings (5 codes – United Beverages, Inc.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve availability as needed of the following five (5) wine codes, each of which has earned a gross profit of at least \$6,500 during a twelve-month period, a majority of which have been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #27581, Zenato Valpolicella Classic, 750ML; Code #37607, Hardys Shiraz, 3 liter; Code #37793, Blackstone Sauvignon Blanc Monterey, 750ML; Code #27794, Blackstone Zinfandel California, 750ML; and Code #38850, Ravenswood Cabernet Sauvignon Vintners Blend, 750ML. The motion was unanimously adopted.

- 3) Special Offers for March 2004:

- a. 34 items – Pine State Trading Co./E&J Gallo Winery:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company/E & J Gallo Winery based upon depletions of thirty-four (34) wine items, to be featured on sale during February 2004, as

recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 133 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions of one hundred thirty-three (133) wine items, to be featured on sale during February 2004, as recommended by Nicole Horton, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 2 items – United Beverages, Inc.

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of two (2) wine items, to be featured on sale during February and March 2004, as recommended by Nicole Horton, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Wine Cooler Displays:

It was moved by Commissioner Byrne, seconded by Commissioner Russell that the Commission approve a request from E & J Gallo Winery to place wine coolers on display in selected stores in conjunction with the “Black Swan Wine Cooler Sweepstakes” during January and February 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Purchase & Sweepstakes for B&G Wines:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a special purchase and sweepstakes offer from United Beverages, Inc./Diageo Chateau & Estate Wines featuring four (4) B&G wine codes during February and March 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Products for Close Out:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve wine codes for close out to deplete remaining inventory in the stores from Martignetti Companies of N.H. of N.H./Executive Wine &

Spirits, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Discount Christmas Items 2003:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the discount of seven (7) 2003 Christmas items, effective Monday, January 12, 2004, to be discounted again if any inventory remains as of February 16, 2004 to a 15% mark-up, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Recommended Wine Specialty Products (3 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve three (3) wine codes to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

9) Recommended Allocated Wines for Distribution to Selected Stores (7 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve seven (7) allocated wine items for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

10) Primary Source Submissions (3 items – primary source; 1 item – exclusive agent):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of three (3) wine codes which are from primary source, and the listing of one (1) wine code which is not from primary source, but is offered by the exclusive marketing agent, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

**III. ENFORCEMENT & LICENSING REPORTS – None.**

**IV. CHAIRMAN'S REPORT & LATE ITEMS**

1. Bailment Requests:

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It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated December 24, 2003 through January 7, 2004. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other:

a. Travel Request:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a travel request for Thomas Smith, Supervisor IV, to attend the Global Shop Expo in Las Vegas, Nevada from March 21 through March 25, 2004, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was passed on a two to one vote, with Commissioner Byrne opposed.

b. Martin Luther King/Civil Rights Day (Store Openings and Staffing):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve store opening and staffing recommendations for Martin Luther King/Civil Rights Day (Monday, January 19, 2004), as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

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Anthony C. Maiola, Chairman

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John W. Byrne, Commissioner

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Patricia T. Russell, Commissioner

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